



TAX RISKS AT THE LOCAL LEVEL AND DIRECTIONS FOR IMPROVING TAX ADMINISTRATION THROUGH TAX CONTROL SYSTEMS

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Abstract: *This article describes the improvement of the administration based on bringing services to business entities to a new level, further increasing the tax administration literacy of the population, supporting entrepreneurship, creating an equal competitive environment and guaranteeing the rights of consumers, and encouraging the active participation of the general public in curbing the underground economy. In recent years, countries around the world have been paying special attention to the implementation of various mechanisms to prevent and reduce tax evasion by taxpayers when developing their short-term and long-term budget-tax policy strategies.*

Key words: *tax revenues, analysis, risks, efficiency, digital platform, methods and tools, advanced information and communication technologies, analysis, optimization, tax benefits, tax rate.*

Introduction. In the uneven movement of financial flows in the world, there are frequent cases of taxpayers seeking various ways to avoid paying taxes and using them for their own interests. Tax revenues lost as a result of various forms of tax evasion, the use of tax minimization schemes in developed and developing countries, and the ineffective use and reinvestment of profits received by taxpayers, also amount to 250-300 billion US dollars per year.

Tax risk analysis at the local level helps fiscal authorities to assess in advance the ability of business entities to pay taxes and the likelihood of tax



evasion. This process allows strengthening the credibility of tax administration and targeted control measures.

If we focus on the main goals, it is important to prevent tax evasion, segmentation of taxpayers, effective allocation of resources and targeted organization of tax audits.

The methodology for improving tax administration through tax risk assessment involves analyzing the activities of taxpayers at the level of each district, city or region, the dynamics of tax payments for the last 3 years, VAT and profit tax reports.

It is necessary to collect data on electronic invoices, transactions between counterparties, labor and import-export activities, identify high-risk sectors (for example, construction, wholesale trade, information technology) based on a sectoral analysis to identify risky segments, and pay special attention to business entities that are in contact with counterparties on black lists. According to regional tax risk indicators, factors such as population density, business activity and education level are taken into account, and a regional risk profile is created based on regional tax revenues and reporting discipline by forming risk indices. It is advisable to check inconsistencies in documents, deviations from the norm in the price range and conflicts between reports through automated systems. Special attention is paid to entities with high turnover but low tax payments. Real-time monitoring and systematic assessment update data every week/month and reassess risks. Tax authorities carry out this assessment through on-site tax inspections. According to the appeals and correction mechanisms, if the taxpayer is dissatisfied with the assessment results, he can appeal through his personal account and the objection will be considered and appropriate corrections will be made within 10 working days.

Business entities have the right to appeal to tax authorities on various issues. Responding to these appeals promptly, objectively and reasonably is



one of the important conditions for effective tax administration. Response methods are formed on the basis of the following main directions:

1. In response to electronic forms, taxpayers can submit appeals through the Unified Interactive State Services Portal (my.gov.uz), the “Taxpayer’s Personal Cabinet” or the Soliq.uz platform. The response is carried out through an automated system, and the applicant is sent a response in the form of an electronic document. The advantages are that the document flow is encrypted and the documents are stored, and there is the possibility of monitoring the status through prompt feedback and notifications.

2. In response to a written official response, if the appeal is sent in the form of an official letter, the tax authority will also provide an official written response, and the response must be submitted within 15 business days (or within the period established by law).

3. In response to requests through receptions and meetings, heads and officials of tax authorities organize personal meetings with entrepreneurs. During open days, entrepreneur days and on-site receptions, appeals can be discussed directly and answered orally. This method is especially effective in issues that require a complex and legal approach.

4. In response to requests through a call center and hotline, the Tax Committee and its territorial bodies respond to citizens' and entrepreneurs' appeals through hotlines. No separate queue or documents are required for submitting an appeal. Responding employees are specially trained and provide explanations based on legislation.

5. In the appeal registration and monitoring system, all appeals are registered with a special number and the response time, responsible person, applicant information and other indicators are tracked in the electronic monitoring system. This ensures control over the execution of appeals and increases reliability.



6. According to the mechanism of reassessment of the results of the appeal, if the entrepreneur is not satisfied with the response, he has the right to appeal to a higher authority, and if the result of the appeal is considered unfair or one-sided, corrections can be made. During the review, the initial assessment, legal grounds and new evidence are analyzed. Responding to entrepreneurs' appeals in the tax administration is not only a means of providing information, but also a means of building trust and ensuring active dialogue. The ability to respond in various ways serves to improve the openness of the authorities and the business environment. The advantages of the methodology are flexibility to local changes, the ability to identify risks in advance in real time, and effective implementation of control based on a fair assessment of taxpayers.

Through a comprehensive analysis of data, information from various information systems is summarized and their interrelationships are analyzed using special algorithms. For example, bank transactions, export-import data, property and asset lists are calculated. This analysis identifies hidden income and undeclared activities. By analyzing the patterns of action, financial relationships between business entities are determined using graphs and block diagrams. This method helps to expose illegal transactions between companies. The entrepreneur's activities are compared with average indicators in the same industry. For example, if the income and tax payments of an enterprise operating in the trade sector are significantly lower than the average indicators for the industry, this is considered the basis for analysis.

By introducing modern analytical methods in tax control, the quality and efficiency of control will increase, the influence of the human factor will be reduced, tax justice will be ensured, and a strong mechanism will be created to combat the shadow economy. If these methods are developed in accordance with local characteristics, their practical effectiveness will be even higher.



Tax audits will be carried out within the established deadlines in candidate entities formed according to the differences identified through the risk analysis program. Identifies facts of evasion of taxes and fees and takes appropriate measures, and exercises control over the use of online cash registers or virtual cash registers, 2D scanners, settlement terminals for accepting payments from plastic cards, compliance with the rules for the sale and labeling of alcoholic and tobacco products. Controls compliance with legislation when carrying out currency export-import operations by legal entities and individuals in accordance with the established procedure. Carries out work on the liquidation of enterprises and organizations that do not carry out financial and economic activities and maintains their records. Conducts cases on administrative offenses, carries out analysis, sends cases to courts and law enforcement agencies in accordance with the established procedure, and sends materials to law enforcement agencies to search for persons who have committed tax offenses.

It is advisable to develop and maintain a tax risk management system (CRM) based on international standards such as ISO 31000, IMF and OECD and regularly update it. It is necessary to identify, analyze and prioritize the risks of non-compliance. It is necessary to determine which categories of taxpayers or their actions pose the greatest risk to the state budget and develop a priority order, develop risk reduction strategies and plans to improve tax compliance, propose measures from prevention to control to reduce tax violations, segment taxpayers and create risk models.

In addition, it is positive to initiate and manage large-scale initiatives against high-risk sectors or tax evasion schemes, to implement the results of the analysis and to translate all collected data and models into a form understandable and usable for inspectors and regional employees, to support strategic planning through risk analysis, to provide management with analytical information on risks for use in the formation of strategic and operational plans,



to improve the skills of employees in the field of risk management, to develop training materials and conduct training for central and regional employees on "CRM", risk assessment and taxpayer segmentation.

As is known, tax arrears are a mandatory payment of a taxpayer that has not been paid by the due date, and these debts must be paid in a timely manner. collection is of great importance in ensuring the stability of the state budget. Accordingly, measures are taken to recover debts through established procedures and compulsory collection tools by tax authorities.

The main reasons for the occurrence of tax debt are the deterioration of the taxpayer's financial situation, failure to submit tax reports on time, incorrect calculation of the tax amount or controversial situations, lack of awareness of changes in legislation, and poorly planned business activities.

If, according to the measures and procedure for compulsory collection, the debt is not repaid within the established period, the tax authority applies compulsory collection procedures. We believe that this process should be carried out in stages:

The first stage - to collect tax debt from a bank account, the tax authority sends a collection order to the bank accounts of the debtor payer and the debt amount is automatically debited from the account. Collection is valid only for valid accounts.

The second stage - to seize and confiscate property, if the debt amount is not available in the bank, the payer's property is taken into account and valuable assets, vehicles or real estate are identified and seized, and certain categories of property can be sold without a court decision.

The fifth stage - due to the increasing role of information technologies in tax debt collection, the use of digital platforms and ERP systems in the process of forced collection is now widely established. This includes an online collection system integrated with banks, automatic monitoring of the taxpayer's activities, calculations and assets, and placement in the electronic tax debtor



register and automatic notification services. The sixth stage - according to the rights of the taxpayer, the taxpayer has the right to request a revision of the tax debt calculation during the forced collection process, apply for a resolution of tax disputes, and apply for installment payment or a deferral of the debt. The collection of tax debt through forced collection serves to strengthen tax discipline, ensure the stability of state budget revenues. Transparency and respect for the rights of entrepreneurs are the main principles in this process. Modern information systems and analytical methods allow for the rapid, fair and efficient organization of forced collection. It will be necessary to develop and implement national policies, procedures, and legal interpretations for tax authorities to collect tax debts and enforce tax obligations. To do this:

- Develop and monitor an overdue debt management program - determine the debt management structure, including debt maturity analysis, priority models, debt write-off rules and debt elimination mechanisms;

- Collaborate with risk management (CRM) and analytics departments to create and support risk models that prioritize debt collection measures;

- Develop and implement enforcement tools and mechanisms - identify and support standard measures such as freezing accounts, property restrictions, liens, travel bans, and third-party collection;

- Monitor digital debt collection systems and automation processes, develop training materials and methodological recommendations for field debt collection officers;

It is necessary to develop key performance indicators (KPI) panels for monitoring the performance of legal authorities, negotiation skills and debt collection manuals, standard operating procedures (SOPs) and training programs (for example, the level of debt collected, debt maturity, collection ratio to total debt), formulate and implement annual operational plans for collection and forced execution.



Acceptance of tax reports and their monitoring is an important task in the activities of state tax authorities. This process is aimed at ensuring the timely and full fulfillment of fiscal obligations by business entities, as well as strengthening tax discipline.

The process of accepting tax reports is carried out through automated electronic systems. Currently, it is possible to submit reports through the Unified Interactive State Services Portal (my.gov.uz) or the electronic tax system of the State Tax Service (soliq.uz). This method creates convenience for taxpayers, reduces paperwork, and facilitates the rapid receipt of documents. The following methods are used to monitor tax reports in terms of monitoring and analysis mechanisms:

- automated data comparison: tax reports are compared with data received from various sources (bank data, invoices, export-import data);
- risk-based assessment model: depending on the level of risk of the taxpayer's activities, its reports are analyzed in depth;
- cross-sectoral data exchange: inaccuracies and risks are identified through information exchange with other government agencies.
- Tax authorities use automated verification functions to identify errors in reports for reporting verification and automatic warnings. If there is a malfunction or change in the report, an electronic notification or warning is sent to the taxpayer. This system allows the entrepreneur to make timely corrections and avoid fines. According to innovative methods of analyzing reports, accurate fiscal conclusions are drawn by analyzing large volumes of data using "Big Data" technology. "Business Intelligence" platforms provide the opportunity for visual analysis and monitoring the dynamics of reports. In AI-assisted analysis, patterns and trends in reports are analyzed using artificial intelligence.

Conclusions and recommendations.



The level of integration of existing databases in the Uzbek tax system is insufficient, which prevents full control of the financial activities of taxpayers. It is necessary to introduce a risk-based analysis system instead of traditional audit approaches to identify suspicious taxpayers. Expand the ability to automatically identify hidden income by introducing analytical models based on artificial intelligence into the activities of tax authorities. Develop a “tax reliability rating” system that assesses the activities of taxpayers, thereby establishing a practice of encouraging and classifying them into risky categories. Strengthen the mechanism for exchanging information with banking, customs and financial supervision authorities for the early detection of suspicious transactions.

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